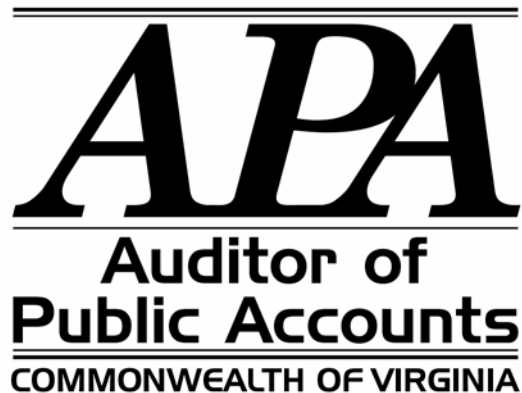


DEPARTMENT OF GAME AND INLAND FISHERIES

REPORT ON AUDIT

FOR THE PERIOD

NOVEMBER 1, 2005 THROUGH MARCH 31, 2006



AUDIT SUMMARY

Our audit of the Department of Game and Inland Fisheries (Game) focused primarily on policies and procedures in the areas noted in our prior Game audit report and areas of concern in the Department of the State Internal Auditors' 2005 fraud investigation. Specifically, we reviewed and considered policies and procedures in the areas of personal services, charge card purchases, equipment inventory, procurement, travel, vehicles, video production, uniforms, and equipment field testing, and Board governance.

Overall, we found that:

- Game has established adequate written policies and procedures to address prior deficiencies that comply with established Commonwealth policies and procedures and other relevant laws and regulations;
- Game has controls, which they follow to monitor compliance with their policies and procedures; and
- the Board has established policies and procedures including, but not limited to, Board governance, the role of the Chairman, and performance criteria for evaluating the Director's performance.

Our report includes several recommendations for Game to continue to enhance their processes and controls.

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AGENCY BACKGROUND

The Department of Game and Inland Fisheries (Game) manages Virginia's wildlife and inland fish to maintain optimum populations of all species to serve the needs of the Commonwealth; provides opportunity for all to enjoy wildlife, inland fish, boating, and related outdoor recreations; and promotes safety for persons and property in connection with boating, hunting, and fishing. Major sources of revenue include hunting, fishing, and motorboat licensing; boat sales and use taxes; wildlife-related sales taxes; and federal grants.

Game enforces laws for the protection, propagation, and preservation of wildlife and fish; assists in enforcing all forestry laws; and seeks to optimize game and fish populations. Game owns 35 lakes and operates an additional 165 lakes. Game maintains over 1,000 miles of roadways and manages 186,000 acres of land on 33 wildlife management areas. Game also manages approximately 1.75 million acres of federal land mostly in national forests.

Game has six divisions and operates five regional and six district offices and nine fish hatcheries throughout the Commonwealth. The six divisions include Law Enforcement, Wildlife, Fisheries, Wildlife Diversity, Communication, and Administrative Services.

The Game and Inland Fisheries Board, a supervisory board, oversees the agency's operations and appoints the Executive Director, who serves as the principal administrative officer. The Board has 11 members, one from each congressional district, appointed by the Governor to four-year terms. The Board elects one of its members as its Chairman, who presides at all meetings of the Board, but who has no additional powers or authority other than those given to the other board members.

Reason for Audit

This purpose of this audit is to understand and evaluate Game's progress in correcting deficiencies noted in our prior audit. We reviewed both the prior audit report and the Department of the State Internal Auditor's 2005 fraud investigation report to understand the issues and to determine the adequacy of corrective action taken by both Game and the Board. Below is a summary of the recommendations from our prior report and the State Internal Auditor's report.

Auditor of Public Accounts' 2004 Audit Report

In June 2005, we released a report on the agencies of the Secretary of Natural Resources, which included recommendations specific to Game. We made seven recommendations, three to the Board and four about the general operations of Game. Below is a list of our recommendations.

- Clarify duties and responsibilities of the Board, Game Director, and Secretary for following state guidelines
- Define the role of the Chairman
- Establish official duty guidance
- Perform a top-down review of existing policies and procedures
- Establish criteria for official duties
- Follow state guidelines
- Develop standards and norms for purchases and supported programs

The findings and recommendations discussed above resulted from a lack of uniform decision-making that was a consequence of Game's and the Board's failure to develop and follow written policies and procedures. Also, the Board had not clearly defined the scope of their responsibilities in the active management of Game. While Game had some internal controls over transaction processing, a comprehensive internal control framework was not in place and overall, there was a significant lack of documented policies and procedures at all levels of the organization, including senior management and the Board.

Department of the State Internal Auditor's Fraud Investigation Report

On April 29, 2005 the State Internal Auditor released a report on his investigation into state employee fraud, waste, and abuse hotline allegations. The investigation examined allegations of improper spending, human resource management, and other matters. The report included nine general recommendations and 29 allegations, the majority of which the State Internal Auditor substantiated. Each of the substantiated allegations had an accompanying recommendation. In summary, the recommendations included:

- develop documented policies and procedures related to purchasing, uniform and personal equipment requirements, vehicle and related equipment requirements, field testing of clothing and equipment, and an agency salary administration plan;
- remove and reappoint the entire Board, legislative action to change the Board to a Policy Board, and change the manner in which members are appointed;
- establish an internal audit function that reports to an audit committee of the Board;
- develop human resource policies to include an anti-retaliation policy, centralize the human resource function and provide sufficient authority, implement a salary administration plan, and ensure beginning salary compensation is reasonable;
- develop Small Purchase Charge Card procedures and monitor purchases; review and approve travel, appropriate use of state resources, including development of a Media Services policy, and policies for field testing equipment; and standardize uniform and equipment purchases; and
- develop standardized equipment lists, standards for equipping vehicles, and policies for appropriate equipment usage; and establish responsible individuals for equipment assignment and appropriate locations and storage sites for items such as personal watercraft and all terrain vehicles.

AREAS OF REVIEW

Our audit focused primarily on Game's progress in developing and implementing the policies and procedures recommended in our fiscal 2004 audit report. Our audit objectives were to determine that:

- Game has established adequate written policies and procedures to address prior deficiencies that comply with established Commonwealth policies and procedures and other relevant laws and regulations;
- Game has controls, which they follow to monitor compliance with their policies and procedures; and
- the Board has established policies and procedures including, but not limited to Board governance, the role of the Chairman, and performance criteria for evaluating the Director's performance.

Below, we provide a brief summary of the issues contained in our prior report, our recommendations related to each issue, and Game's status in implementing their corrective action. In some instances, our recommendation may be general in nature, such as perform a comprehensive review of policies and procedures. In those cases, we focused our audit efforts on the areas of concern from the State Internal Auditor's fraud examination report and the corrective action Game has taken to resolve deficiencies that the examination cited.

Duties and Responsibilities of the Board, Game Director, and Secretary for Following State Guidelines

In our previous report, we stated that Game's organizational structure may result in confusion since both the Board and the Secretary of Natural Resources have similar duties and responsibilities relative to Game. Questions arise such as who is responsible to the Governor for the operations of Game and who defines the policies they must follow. Since the Governor appoints both the Board and Secretary and both answer to him, they must agree on the division of their responsibilities and duties and determine how they can work together to ensure Game fulfills its mission and goals.

During fiscal year 2004, we reviewed the Board's governing policies, the majority of which the Board adopted over a decade ago. We found them generally vague and without clear definition of specific roles and responsibilities. Also, those policies did not address the Board's working relationship with the Secretary and how the Board would comply with responsibilities and duties for obtaining approvals or coordinating activities with and through the Secretary.

In his fraud examination report, the State Internal Auditor recommended changing the Board from a supervisory to a policy board, thereby having the Governor appoint the Game Director. The General Assembly passed legislation in 2006 that now requires that the General Assembly confirm the Board-appointed Game Director every four years, limits the Chairman and a Vice Chairman's terms to one year, requires the Board to adopt a Governance Manual, and requires an annual fiscal and compliance audit by the Auditor of Public Accounts.

Since our recommendation, the Board adopted a Governance Manual and a code of ethics in December 2005. The procedures developed for Board governance are clear, concise, and adequately and reasonably address the duties of the Board and Board Chairman, the role of Secretary of Natural Resources, and the role of the Game Director. The policies and procedures are such that reasonable persons acting in these positions should be able to understand and fulfill their fiduciary responsibilities and their statutory purpose.

The Governance Manual directs the Board Chairman to communicate regularly with the Secretary of Natural Resources, both to keep the Secretary informed of Board actions and to have the Secretary inform the Chairman of issues and directives from the Governor. The Governance Manual also directs the Board to solicit input from the Secretary when they evaluate the Game Director's performance.

The Governance Manual delegates all authority and accountability for Game operations and staff to the Game Director. It charges the Board with instructing the Game Director to achieve certain results by providing broad policies and to place limits on the actions of the Game Director by providing limitations policies. The Game Director is bound only to the decisions of the Board acting as a body, not to the decision of any individual Board member. The Governance Manual also requires the Game Director to regularly brief the Secretary of Natural Resources on Game operations, and then report to the Board on these briefings.

In order to ensure that new Board members understand their duties and responsibilities, the Governance Manual requires that new members receive an orientation on their Board duties, responsibilities, and governance. However, the Board has not yet developed this orientation program.

RECOMMENDATION 1

We recommend that the Board begin preparing their new member orientation program as required in the newly adopted Board Governance Manual. Having an orientation program in place will ensure that all new members have a similar and complete understanding of their roles and responsibilities.

Role of the Chairman

Under the Board's statutory authority, the Chairman has the same duties and responsibilities as any other board member, except to preside over meetings. However, during our fiscal year 2004 audit we found several instances where the Chairman provided formal instructions to the Game Director, but there was no evidence that other Board members provided consultation or agreement with the instructions. These instances occurred under more than one Chairman's leadership and it appears that both the Game Director and the individual appointed as Chairman assumed this is a typical mode of operation.

As discussed above, the General Assembly passed legislation during the 2006 session that specifically limits and defines the role of the Board Chairman. Specifically, the Chairman can only preside at Board meetings; serve as the Board liaison to the Game Director, other Board members, and the Secretary of Natural Resources; and perform other duties set forth in the Governance Manual as approved by a majority of the Board. The Governance Manual that the Board approved in December 2005 reiterates those duties, adding specific detail, such as that the Chairman will appoint committee members to serve on standing committees, and defines the frequency of communication with the Secretary of Natural Resources to not less than quarterly. The Governance Manual does not invest the Chairman with any additional powers, but does specifically state the Game Director is bound only to the decisions of the actions of the entire Board and not to any one member. We believe the role and authority of the Board Chairman is now clearly and adequately defined and limited.

Official Duty Guidance

The Board annually evaluates the Game Director's performance. While the evaluation is a personnel matter, all Board members should have a clear understanding of the Game Director's performance expectations. We recommended in our last report that the Board collectively develop and communicate clear

performance expectations to the Game Director and any future formal instructions come from the collective Board or provided from a member and ratified at subsequent Board meetings.

To date, the Board has not developed a performance plan or specific performance evaluation criteria for the Game Director. W. Gerald Massengill is the Interim Director, who has agreed to stay until the Board hires a permanent Game Director or until such time as he provides 60 days notice to the Board. The Board Search Committee started searching for a permanent Game Director, but suspended the search pending the outcome of the 2006 General Assembly session, which could have changed the Board's authority to hire the Game Director. Since the General Assembly did not change the Board's authority, the Board has resumed their work to find a permanent Game Director. Once the Board has made an appointment, they plan to focus on a developing the Game Director's performance expectations and annual evaluation criteria.

RECOMMENDATION 2

We recommend that the Board begin work now to define the Game Director's performance expectations. We believe that the Board's expectations can be defined without regard to who fills the permanent position and having documented expectations may assist the Board in identifying and selecting the ideal candidate to meet their expectations.

Review of Existing Policies and Procedures

In the year since the issuance of both our report and the State Internal Auditor's report, Game and the Board have used a risk-based approach to evaluate and update their existing policies and procedures and to develop and implement policies and procedures where they were lacking. This includes adopting a Board Governance Manual and 18 Board-specific policies. Although Game is still in the process of implementing policies, they have implemented those they consider the most critical to include procurement, small purchase charge card usage, human resources, uniforms, and equipment issuance and testing. Game is in the process of developing policies on vehicle fleet management.

Game placed the policies and procedures on their internal network, or Intranet, and informed all employees of their existence and location on January 1, 2006. Game requires that each manager retain and keep current a physical copy of the policies and procedures. These policies and procedures, along with a cover letter from the Interim Director to all Game personnel, set the tone for the operation of Game and what is expected of personnel.

Game has held numerous training sessions with employees to introduce the policies and procedures and explain the importance of following them and why internal controls are necessary and beneficial. We believe that Game has effectively communicated and trained staff regarding the policies and procedures and set and appropriate tone of responsibility at Game.

Relative to specific control weaknesses contained in the State Internal Auditor's report, Game has implemented the following policies and procedures:

- Game's new travel policies require that all in-state travel be approved by the employee's immediate supervisor and the division director and that all out-of-state travel exceeding \$500 have the pre-approval of the employee's immediate supervisor, the division director, and the Game Director. All international travel must have the pre-approval of the Game Director and the Secretary of Natural Resources. Also, any out-of-state or international travel by the Game Director must have the Secretary of Natural Resources' pre-approval. In addition, the Game Director must notify the Board of all overnight travel.

- Game's new anti-retaliation policy describes that employees have the right to make allegations or cooperate with an investigation into allegations without fear of retaliation or revenge. The policy describes the consequences for those employees found retaliating against other employees.
- Game requires documentation of all classified personnel actions on a worksheet and that it be sent to the Human Resources Office. Human Resources must review all personnel actions and changes in pay for compliance with state laws, policies, and industry best practices. The policy requires Human Resources' involvement in the decision-making process for employee promotions, demotions, and role changes.
- Game has policies that address appropriate equipment usage. These policies identify who has responsibility for equipment, establish appropriate locations and storage sites for items such as personal watercraft and all terrain vehicles, develops a standard equipment list for sworn personnel, and implement the use of a sign-in/and sign-out sheets for equipment loans. However, the State Internal Auditor also recommended that the policies and procedures address the borrowing of equipment. Although Game has instituted a sign-in/sign-out sheet, there are no policies addressing the use of these sheets and no procedures to ensure that there is approval for the borrowing of equipment and a definition of official use.

RECOMMENDATION 3

Game should prepare and implement policies and procedures to address the loaning or borrowing of equipment for Game's mission-related activities only and include the sign-in/sign-out procedures to account for any loaned equipment. Having such policies and procedures will allow employees to understand when loaning Game equipment is appropriate.

- Game maintains a large fleet of vehicles that sworn law enforcement officers and Game biologists use in carrying out Game's mission. As of May 2006, Game had a total fleet of 472 vehicles including 257 sport utility vehicles, 212 trucks, and 3 vans. Sworn law enforcement officers are assigned about half of the vehicles and Game's sworn employee equipment policies cover their usage. For vehicles assigned to and used by non-sworn employees, Game is writing a vehicle policy and provided us with a draft for review. The draft policy prohibits after-market additions to vehicles, but it does not specifically address vehicle equipment standards or a process for appropriate documentation and approval for exceptions to the standards. Game is currently in the process of a comprehensive review of both the number of vehicles they own and how they assign those vehicles, including consideration of carpooling.
- Since our last report, the Department of General Services, Office of Fleet Management, has purchased a fleet management system, which includes services to manage, control, and maintain a vehicle fleet. The services include comprehensive vehicle maintenance based on a maintenance schedule and provide for maintenance locations and the purchase of routine replacement items, such as tires, on state contract. Considering the number of vehicles under Game's control, the

implementation of such a system and service may enhance Game's oversight of these vehicles.

RECOMMENDATION 4

We recommend that Game complete and implement a comprehensive vehicle policy and ensure it addresses when it is appropriate for a non-sworn employee to have a permanently assigned vehicle. In addition to the items already included in the draft policy, Game should include standards for equipping vehicles, preventive maintenance standards or a maintenance schedule, and a mechanism for determining if employees have a valid driver's license as required by the Department of General Services policies and regulations.

While Game does have an asset management system, it does not include vehicle maintenance. We recommend that Game review and consider the new services provided by the Department of General Services, Office of Fleet Management, system to manage, control, and maintain their fleet.

- Game's new procurement policy requires that supervisors approve all purchases up to \$5,000 and that Division Directors approve all purchases over \$5,000. Employees with small purchase charge cards can make purchases up to \$500 without approval; however, supervisors must review their purchase logs monthly.
- Game has established procedures to review purchase activity monthly. In addition to supervisory reviews of procurement logs monthly, the Accounting Manager, along with the Administrative Services and Purchasing Directors, reviews all purchases over \$1,500 and an additional sample of ten percent of employees purchase logs. The Accounting Manager agrees the selected purchases to supporting documentation, reviews it for proper approvals, and evaluates it for reasonableness. While this procedure is an effective control, we believe there are opportunities to increase this control through the use of an independent internal audit function, as discussed below.

The State Internal Auditor recommended that Game consider establishing an internal audit function that reports directly to an audit committee of the Board. Based on an analysis of agency resources, Game and the Board decided not to create and fund a separate internal audit position. Instead, they have established both a Board and Game audit committee and designated that the Game Accounting Manager also perform the duties of the Chief Compliance Officer, a position that reports directly to the Board.

The Board has established a Finance, Audit, and Compliance Committee, which the Governance Manual designated as one of the four Board standing committees. The Committee is currently comprised of five Board members and meets no less than four times each year. According to the Governance Manual, the purpose of the Committee is to conduct initial and continuing reviews of issues regarding internal and external audits. Audit reviews will include evaluation of compliance with Board policies, accounting practices and auditing procedures; adequacy of financial reports and disclosures; the Director's expenses; and violations of law. The Committee will develop and submit reports, draft policies, and/or recommendations regarding audits and the finances of the Department to the full Board for its consideration.

Game has also established an Agency Finance, Audit, and Compliance Review Committee, which was formerly the Small Purchase Charge Card Review Committee. The Committee is comprised of the Director of Administration (the CFO), the Accounting Manager, and the Purchasing Director. The policy that created the committee grants it full, free and unrestricted access to all records, physical properties, and

personnel. The Chief Compliance Officer and the Committee report directly and have free and unrestricted access to the Board Chairman and the Board's Finance, Audit, and Compliance Committee. The policy requires the Chief Compliance Officer be either a Certified Public Accountant or a Certified Internal Auditor. The current Game Accounting Manager holds both designations.

While we believe that audit committees and a Chief Compliance Officer provide improved internal controls, appointing the Accounting Manager to also serve as the Chief Compliance Officer does not establish an independent internal audit function. The Accounting Manager is not independent of management as the position is part of management. In addition, the Accounting Manager/Chief Compliance Officer has full access to all financial systems and data and is the primary individual responsible for the information provided to the Board's Audit Committee. We have spoken with Game and they acknowledge the lack of independence inherent in the dual role of Accounting Manager and Chief Compliance Officer

Management is responsible for establishing a system of internal control while an internal auditor provides an unbiased opinion regarding the effectiveness of internal controls. As an internal auditor, he would not be responsible for initiating or processing transactions according to the established internal controls and would only have view access to all systems and data. As a result, an internal auditor is free to audit and report on management's activities rather than being concerned that he was also responsible for initiating and processing the affected transactions.

We understand Game's position on the Chief Compliance Officer and the excessive cost of employing a full-time internal auditor. Several alternatives exist, which both management and the Board should consider before making a permanent change. Two alternatives are the employment of a part-time or contract internal auditor or entering into a memorandum of understanding with a larger state agency, which has an internal audit operation. Under either of these arrangements, the Board and management could contract for specific work each month at a fixed amount. This alternative also provides independence of management and meets the Board's oversight objectives.

RECOMMENDATION 5

The Board and Game have established strong internal controls for oversight and compliance; however, the controls could be improved by having an internal audit function that is independent of Game management. The individual who currently holds this position functions in the dual role of the Chief Compliance Officer and Accounting Manager, which places him in a unique position of questioning management and also initiating and processing transactions. We are not questioning the Chief Compliance Officer's integrity; however, we do believe some alternatives exist to the current arrangement. We recommend the Board reconsider their decision not to hire an independent auditor and consider the alternatives discussed above.

Criteria for Official Duties

In our last report, we stated that many of Game's staff and management participate in activities that Game oversees, controls, or provides services to, both in their official capacity, as well as on a personal level. In some cases, staff and management are providing services to organizations and groups and at the same time are members of those organizations and groups. While constituent outreach is an important part of Game's goals and mission, this overlap of official duties and responsibilities with membership participation creates confusion and misunderstanding as to the staff and management's participation in activities.

We recommended that Game develop some guidance in this area. Without guidance, we believed Game staff and management would continue to receive criticism for purchases, travel, and participation in certain activities since it is unclear why an individual may be participating in an event.

In evaluating this recommendation, Game's management felt that the costs would outweigh the benefits of establishing criteria for official duties for each of the various positions at Game. Game also cannot limit or dictate the organizations that staff may personally choose to join. Instead, Game established a policy that requires staff to justify and receive approval for any planned event or use of agency resources prior to the event or the use of resources. Game established an internal committee to review and approve requests, and the committee only grants approval for those events that fall within Game's mission. We believe this policy, if properly followed and enforced, will eliminate any confusion or misunderstanding as employees participate in activities both as a representative of Game and a member of the organization or group.

Follow State Guidelines

Our last report recommended that Game incorporate state guidelines in purchasing, procurement, travel, personnel, and other key reporting areas. If the Board and management determine that they need to deviate from these state guidelines, they should document their reasons for the deviation and establish and publish their internal guidance for all staff and management to follow.

We found that Game's updated policies and procedures incorporates and are in compliance with state guidelines in purchasing, procurement, travel, personnel, and other key reporting areas. For instance, in compliance with state travel regulations, Game's travel policy now states that out-of-state or international travel by the Game Director requires pre-approval by the Secretary of Natural Resources. In addition, Game has placed links to the state guidelines on their internal network, or Intranet, so employees can easily access them.

Standards and Norms for Purchases and Supported Programs

In our previous report, we cited Game for their failure to develop standards for the types of purchases they consider normal and acceptable. For example, Game had not standardized the equipment issued to game wardens or defined a formal process for field testing equipment. This lack of procedures led to purchases that may not appear reasonable because there was no documentation of their use either at the time of purchase or at the conclusion of field testing.

Since our report, Game has implemented policies and procedures for both sworn and non-sworn standard uniforms and implemented a procedure for field testing equipment. We reviewed these policies and procedures and they appear reasonable and, if properly followed, effective.

Game has defined standard equipment for the broad category of sworn personnel; however, they still need to develop standard equipment lists for their non-sworn positions. Game's new asset management and control policy requires all divisions to develop a list of standardized issued equipment by position for which responsibility will be assigned to an individual.

RECOMMENDATION 6

We recommend that Game complete the definition of standard equipment for their non-sworn personnel.

Game maintains a state-of-the-art video production and editing facility that they use to produce public service announcements and educational videos. The State Internal Auditor's report noted abuse of media services during their fraud investigation and recommended that Game adopt a formal process for determining when to accept requests for shooting, editing, or producing videos from non-Game individuals or organizations. The recommendation was that the process should include an assessment of the raw footage content, as well as the expectations of the finished product.

Game implemented the media services policy in December 2005. The policy defines project criteria, provides a means to evaluate the appropriateness of the project, and requires the completion of a request form for all media services. The policy also defines approval levels and requires the Media Services Office to submit a quarterly project status report to the Communication and Information Division Director and the Game Director.

RECOMMENDATION 7

We believe Game's media policy generally addresses the State Internal Auditor's recommendation, if properly followed. However, we believe the policy should also require Media Services to submit their quarterly project status report to the Board. Currently the Game Director has final approval authority and the ability to waive fees. Providing the status report to the Board could potentially identify any inappropriate use of Media Services by the Game Director.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

May 22, 2006

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have completed an audit of the **Department of Game and Inland Fisheries** as of May 22, 2006. We conducted our overall audit in accordance with the standards for performance audits set forth in Government Auditing Standards, issued by the Comptroller General of the United States.

Objectives

Our objectives for the audit were to determine that:

- Game has established adequate written policies and procedures to address prior deficiencies that comply with established Commonwealth policies and procedures and other relevant laws and regulations;
- Game has controls, which they follow to monitor compliance with their policies and procedures; and
- the Board has established policies and procedures including, but not limited to, Board governance, the role of the Chairman, and performance criteria for evaluating the Director's performance.

Audit Scope

Our audit examined activities for the period November 1, 2005 through March 31, 2006, since Game did not finalize and place into operation many of their policies and procedures until November. We focused primarily on policies and procedures in the areas noted in our prior Game audit report and areas of concern in the Department of the State Internal Auditors' 2005 fraud investigation. Specifically, we reviewed and considered policies and procedures in the areas of personal services, charge card purchases, equipment inventory, procurement, travel, vehicles, video production, uniforms, and equipment field testing, and Board governance.

Audit Methodology

Our work consisted of management and departmental inquiries, gaining an understanding of processes and controls by reviewing current policies and procedures, examining Game's documentation, and selecting and testing various transactions.

We discussed this report with the Game Director and members of Game management at an exit conference on June 5, 2006.

Audit Conclusion

Overall, we found that:

- Game has established adequate written policies and procedures to address prior deficiencies that comply with established Commonwealth policies and procedures and other relevant laws and regulations;
- Game has controls, which they follow to monitor compliance with their policies and procedures; and
- the Board has established policies and procedures including, but not limited to, Board governance, the role of the Chairman, and performance criteria for evaluating the Director's performance.

Our report contains recommendations throughout to continue to improve processes and controls.

AUDITOR OF PUBLIC ACCOUNTS

KKH:kva



COMMONWEALTH of VIRGINIA

L. Preston Bryant, Jr.
Secretary of Natural Resources

Department of Game and Inland Fisheries

Colonel W. Gerald Massengill
Interim Director

June 5, 2006

The Honorable Walter J. Kucharski
Auditor of Public Accounts
James Monroe Building
P.O. Box 1295
Richmond, VA 23218

Dear Mr. Kucharski:

Thank you for your recommendations in your report on the Department of Game and Inland Fisheries' (Game) internal controls and internal control environment. We share the same goals with respect to the agency's policies and internal control environment, and look forward to working with you in the future. We concur with your recommendations. Below is an outline of the actions Game and the Board of Game and Inland Fisheries (Board) plan to take to address your recommendations.

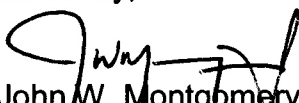
- Recommendation 1: The Board has begun preparing its new member orientation program. The Board's Education, Planning and Outreach Committee at its May 24, 2006 meeting, discussed this issue and plan to complete the orientation program by August, and present the program to the full board for approval on August 22, 2006.
- Recommendation 2: The Board has begun work to define the Game Director's performance expectations. The Board's Education, Planning and Outreach Committee discussed this issue at its May 24, 2006 meeting. The committee plans to complete the Director's performance expectations by August, and present the Director's performance expectations to the full board for approval on August 22, 2006. The Director's performance expectations will have measurable objective standards that accomplish the agency's strategic plan. The goals and objectives set for the director's performance will be consistent with the Agency's mission statement. The Secretary of Natural Resources will also be asked to provide input into the Director's performance expectations and performance evaluation.
- Recommendation 3: Game will prepare and implement policies and procedures to address the loaning or borrowing of equipment for Game's mission-related activities. As noted in your audit report, Game has a sign-out sheet for loaned

equipment and Game's Asset Management Policy states, "Assets are provided to Agency employees for official Agency use only." Game will draft policy and procedures to address the loaning of equipment to ensure that the loaned equipment is only for mission related activity. This task will be completed by September 30, 2006.

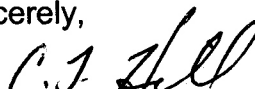
- Recommendation 4: Game will complete and implement a comprehensive vehicle policy and ensure it addresses when it is appropriate for a non-sworn employee to have a permanently assigned vehicle. As noted in your report, Game is in the process of completing its vehicle use policy. Game is also doing a review of its fleet and will adjust fleet size after the review. Game plans to finalize this policy by September 30, 2006. Game will also evaluate the Department of General Services', Office of Fleet Management system to determine if the system will benefit Game.
- Recommendation 5: Game and the Board will reconsider the decision not to hire an independent auditor. Game and the Board's Finance, Audit and Compliance Committee will consider the alternatives you discussed in your report as well as other strategies, in coordination and cooperation with the Board and the Office of the Secretary of Natural Resources, to have an independent review of Game's compliance efforts.
- Recommendation 6: Game will complete the definition of standard equipment for the various non-sworn personnel. This process will occur by September 30, 2006. The appropriateness of assigned equipment will be reviewed on an annual basis as part of each individual's annual performance review.
- Recommendation 7: As outlined in Game's policies and procedures manual, media services will provide a status report to the Finance, Audit and Compliance Committee on a quarterly basis.

Again thank you for your valued input from the report and the exit conference and we appreciate the opportunity to comment on these matters.

Sincerely,


John W. Montgomery, Jr.
Incoming Chairman, Board of Game
and Inland Fisheries

Sincerely,


C. T. Hill, Chairman
Finance, Audit and Compliance
Committee

Sincerely,


Colonel W. Gerald Massengill
Interim Director

DEPARTMENT OF GAME AND INLAND FISHERIES

BOARD MEMBERS

As of April 2006

Sherry S. Crumley, Chairman

Ward Burton	Randy J. Kozuch
C. Marshall Davison	John W. Montgomery, Jr.
William T. Greer, Jr.	Richard E. Railey, Jr.
James W. Hazel	Thomas A. Stroup
C.T. Hill	Charles S. Yates

INTERIM DIRECTOR

W. Gerald Massengill